

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 COME-00 TRSE-00 AGRE-00
CIAE-00 EB-08 FRB-03 INR-10 NSAE-00 USIA-06
XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 PM-05
NSC-05 SS-15 DODE-00 PA-01 L-03 /085 W
-----086079 021248Z /43

R 011503Z MAR 78
FM AMEMBASSY TEL AVIV
TO SECSTATE WASHDC 1585

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DEPT PASS AID FOR ASST ADMIN WHEELER; DEPT PASS COMMERCE
FOR CAGNE; DEPT PASS TREASURY FOR ASST SEC BERGSTEN

E. O. 11652: NA
TAGS: E AID BEXP IS
SUBJ: USE OF CIP FUNDS BY ISRAEL

1. THE GOI HAS HAD TROUBLE IN THE PAST COLLECTING
THE DOCUMENTATION TO DRAW DOWN THE CIP FUNDS AVAILABLE
TO IT UNDER THE US SECURITY SUPPORT ASSISTANCE
PROGRAM. THE NEW ECONOMIC PROGRAM (NEP) MAKES THE
COLLECTION OF DOCUMENTATION EVEN MORE DIFFICULT. THE
QUESTION HAS BEEN RAISED BY THE GOI ABOUT WHETHER THE
BASIC RULES OF THE GAME SHOULD BE CHANGED. UNTIL
NOW THE EMBASSY VIEW HAS BEEN THAT THE CIP PROBABLY
PRODUCED FEW ADDITIONAL SALES BY US EXPORTERS TO
ISRAEL, EXCEPT FOR THE AGRICULTURAL PRODUCTS PURCHASED
BY THE ISRAEL STATE MONOPOLY, AND THAT THE CIP COULD
BE REDUCED SUBSTANTIALLY WITHOUT AFFECTING OUR EXPORTS.
2. A SPECIAL SITUATION HAS PRESENTED ITSELF WHICH WE
BELIEVE OFFERS A UNIQUE OPPORTUNITY TO PROMOTE US EXPORTS
BY USE OF THE CIP AND STILL COMPLY FULLY WITH GATT AND
OTHER RULES. AS WE HAVE REPORTED EARLIER (TEL AVIV
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2091), THE GOVERNMENT-OWNED ISRAEL ELECTRIC CORPORATION
(IEC) WILL SOON CALL FOR BIDS FOR THE SUPPLY OF BOILERS
AND TURBOGENERATORS FOR NEW THERMO POWER PLANT (2X500MW).
THESE ORDERS WILL TOTAL SEVERAL HUNDRED MILLION DOLLARS.
3. IF THE PRICE AND DELIVERY DATES OF US SUPPLIERS OF
THIS EQUIPMENT ARE GENERALLY COMPETITIVE WITH THOSE OF
OTHER BIDDERS (MAINLY EUROPEAN), IT WOULD SEEM POSSIBLE

TO WORK OUT THE FOLLOWING ARRANGEMENT. THE GOI WOULD LEND THE MONEY FOR THE PURCHASES TO THE IEC PROVIDED US COMPANIES WERE CHOSEN AS SUPPLIERS. THIS WOULD INCLUDE ANY MONIES WHICH NEEDED TO BE PAID PRIOR TO THE DELIVERY OF THE EQUIPMENT. THE TERMS OF THE GOI LOAN TO THE IEC WOULD BE AT LEAST AS FAVORABLE AS THOSE OFFERED BY NON-US SUPPLIERS. THIS WOULD BE THE INCENTIVE FOR THE IEC TO BUY AMERICAN. WHEN THE EQUIPMENT IS ACTUALLY DELIVERED, THE GOI COULD PRESENT THE DOCUMENTATION TO THE USG FOR COLLECTION UNDER THE CIP. THE GOI WOULD BE RESPONSIBLE FOR REPAYING THE LOAN TO THE US (IT WOULD SEEM REASONABLE THAT THE CIP LOAN RATHER THAN GRANT PORTION WOULD BE DRAWN FOR THIS PURPOSE). IEC PAYMENTS WOULD BE TO THE GOI. NO EXIMBANK OR PRIVATE BANK WOULD BE NEEDED. THIS ARRANGEMENT WOULD HAVE THE FOLLOWING ADVANTAGES:

- IT WOULD PROMOTE U.S. EXPORTS.
- IT WOULD ALLOW THE IEC TO BUY TOP QUALITY ELECTRICAL EQUIPMENT ON FAVORABLE TERMS.
- IT WOULD ASSIST THE GOI IN USING AVAILABLE CIP FUNDS WITH A MINIMUM OF PAPER WORK.

4. WE HAVE NOT DISCUSSED THIS WITH GOI OFFICIALS, BUT BELIEVE THEY MIGHT FIND IT ATTRACTIVE. WE FIRST WOULD LIKE TO HAVE THE REACTION OF ALL INTERESTED PARTIES IN WASHINGTON ON WHETHER YOU THINK IT IS WORTH LIMITED OFFICIAL USE

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DOING AND WHETHER IT CAN BE DONE WITHOUT VIOLATING OTHER COMMITMENTS.

5. IF YOU DO WANT TO EXPLORE THIS FURTHER, WE CAN GO INTO THE DETAILS OF HOW, WHEN AND WITH WHOM IN THE GOI WE RAISE THE ISSUE. PLEASE ADVISE.
LEWIS

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Message Attributes

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Draft Date: 01 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
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Disposition History: n/a
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Review Exemptions: n/a
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TAGS: EAID, BEXP, IS
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